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BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Chairman, Subcommittee On
Government Information, Justice, And
Agriculture, Committee On Government Operations
House Of Representatives

Information On The Department Of Agriculture's Commodity Exchange Contracts For The 1983 Payment-In-Kind Program

The Department of Agriculture's (USDA) 1983 Payment-in-Kind (PIK) program paid producers of five commodities--wheat, corn, grain sorghum, rice, and cotton--a portion of the crops they would otherwise have grown in exchange for removing cropland from production.

This report responds to questions the Subcommittee raised about the contracts between USDA and members of the grain industry to exchange commodities for use in making PIK payments.



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MARCH 11, 1985

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RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

B-213707

The Honorable Glenn English
Chairman, Subcommittee on Government
Information, Justice, and Agriculture
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

Your July 29, 1983, letter requested, among other things, that we review the Department of Agriculture's (USDA) actions in providing commodities--wheat, corn, grain sorghum, rice, and cotton--to producers participating in the 1983 Payment-in-Kind (PIK) Program. In our September 1984 report responding to your letter,¹ we stated that we had another review under way regarding additional aspects of the trades, or exchanges, of commodities between USDA's Commodity Credit Corporation (CCC) and the grain industry. In a discussion with your office, we agreed specifically to provide in this report the number of contracts made with each contractor and the quantities of each commodity exchanged.

We found that USDA awarded 1,259 contracts to 237 contractors to exchange CCC-owned wheat, corn, and grain sorghum with corresponding contractor-owned commodities. In total, the contracts called for USDA to provide about 433.7 million bushels of these commodities to the contractors and for the contractors to provide about 377.2 million bushels to USDA for use in the 1983 PIK Program. The difference of 56.5 million bushels represents CCC's cost for the exchanges and was worth about \$191.6 million if valued on the basis of average major market prices.² Appendix I provides details of the exchange contracts. Appendix II provides a listing of the contractors and the number of exchange contracts that each received.

¹Department of Agriculture's Acquisition and Distribution of Commodities for Its 1983 Payment-in-Kind Program (GAO/RCED-84-137, Sept. 25, 1984).

²The average price of each commodity in major grain markets, such as Chicago and Kansas City, on the first day of the month, June through November 1983, the period in which the PIK commodity exchange contracts were awarded. The average value of the commodities CCC exchanged may have been lower than the average major market price, since not all of the commodities were located in major markets.

We obtained the information you requested from the contracts that CCC awarded for PIK commodity exchanges. Our work was performed between April and October 1984 at USDA's Washington, D.C., headquarters and at its Kansas City field office, which was responsible for carrying out PIK commodity exchanges. At your office's request, we did not obtain official written comments on the report from USDA. However, we discussed the factual contents of the report with USDA officials responsible for managing PIK commodity exchanges and incorporated their comments where appropriate. Our review was performed in accordance with generally accepted government auditing standards.

The 1983 PIK Program limited the production of five commodities--wheat, corn, grain sorghum, rice, and cotton--by reducing the number of acres planted in these crops. To participate in the PIK Program, producers agreed to take prescribed portions of their acreage out of production and to receive as compensation from USDA a certain portion of the commodity they otherwise would have planted and harvested. For PIK, participating producers removed from production about 48 million of the approximately 212 million acres that USDA expected to be planted in the five PIK commodities. This reduction in acreage obligated USDA to provide or pay producers about 546 million bushels of wheat, 1.8 billion bushels of corn, 178 million bushels of grain sorghum, 2 billion pounds of cotton, and 4.1 billion pounds of rice.

USDA designed the PIK Program so that payments could be made from two sources--inventory owned by CCC and producer-owned commodities used as collateral for CCC loans previously made to producers.³ If a participating producer had one or more outstanding loans with CCC, USDA forgave part or all of the producer's loan or loans (principal and interest), and the producer retained the commodity used as loan collateral as the PIK payment. A producer who did not have an outstanding loan received a letter entitling him or her to receive CCC-owned commodities as payment.

In order to meet its payment obligations to producers, USDA needed to position, or relocate, some of the wheat, corn, and grain sorghum because the PIK Program provided that these three commodities would be made locally available to the producers. Such positioning was not needed for rice or cotton since those commodities are not necessarily marketed where they are grown and, therefore, did not have to be made available locally under the PIK guidelines. The process USDA used to position wheat, corn, and

³Farmers choosing to participate in USDA farm programs may use their crops as loan collateral to receive a CCC "non-recourse" loan. The loan in effect guarantees the farmer a certain minimum price for the crop, since CCC accepts the commodity if, under the terms of the loan, the producer elects to keep the loan's proceeds and forfeit the commodity to CCC.

grain sorghum was to first identify counties where it owned more commodities than needed to meet its PIK payment obligations (surplus counties) and counties where it lacked sufficient commodities to meet its PIK payment obligations (deficit counties).

To provide commodities to the deficit counties, USDA devised a program to exchange CCC-owned commodities held at warehouses in surplus counties with privately-owned commodities held at warehouses in or near deficit counties. According to USDA officials in charge of the exchange program, exchanging rather than physically transporting CCC-owned commodities to deficit counties enabled CCC to (1) avoid the costs and logistic problems of transporting the commodities and (2) position the commodities more quickly to meet PIK availability dates.

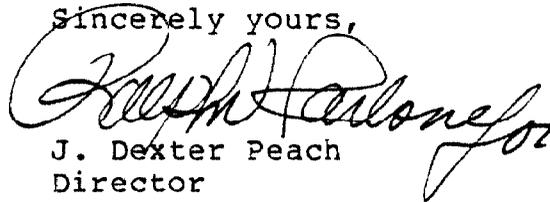
USDA conducted the exchange program through a series of 10 public bid invitations between May and November 1983. Recognized members of the grain industry were asked to submit bids indicating their choice of the CCC-owned inventories they would accept and, in exchange, the areas in which they would provide USDA with commodities for use in making PIK payments. (Appendix III contains USDA's initial public announcement of the exchange program.) The 10 bid invitations resulted in 1,259 contracts being awarded.

The total quantity of CCC-owned commodities traded in the PIK exchange program exceeded the quantity of contractor-owned commodities that CCC received. The difference between the quantity of CCC-owned grain exchanged and the contractor-owned grain received represents the cost to CCC for the contractors to execute the exchanges.

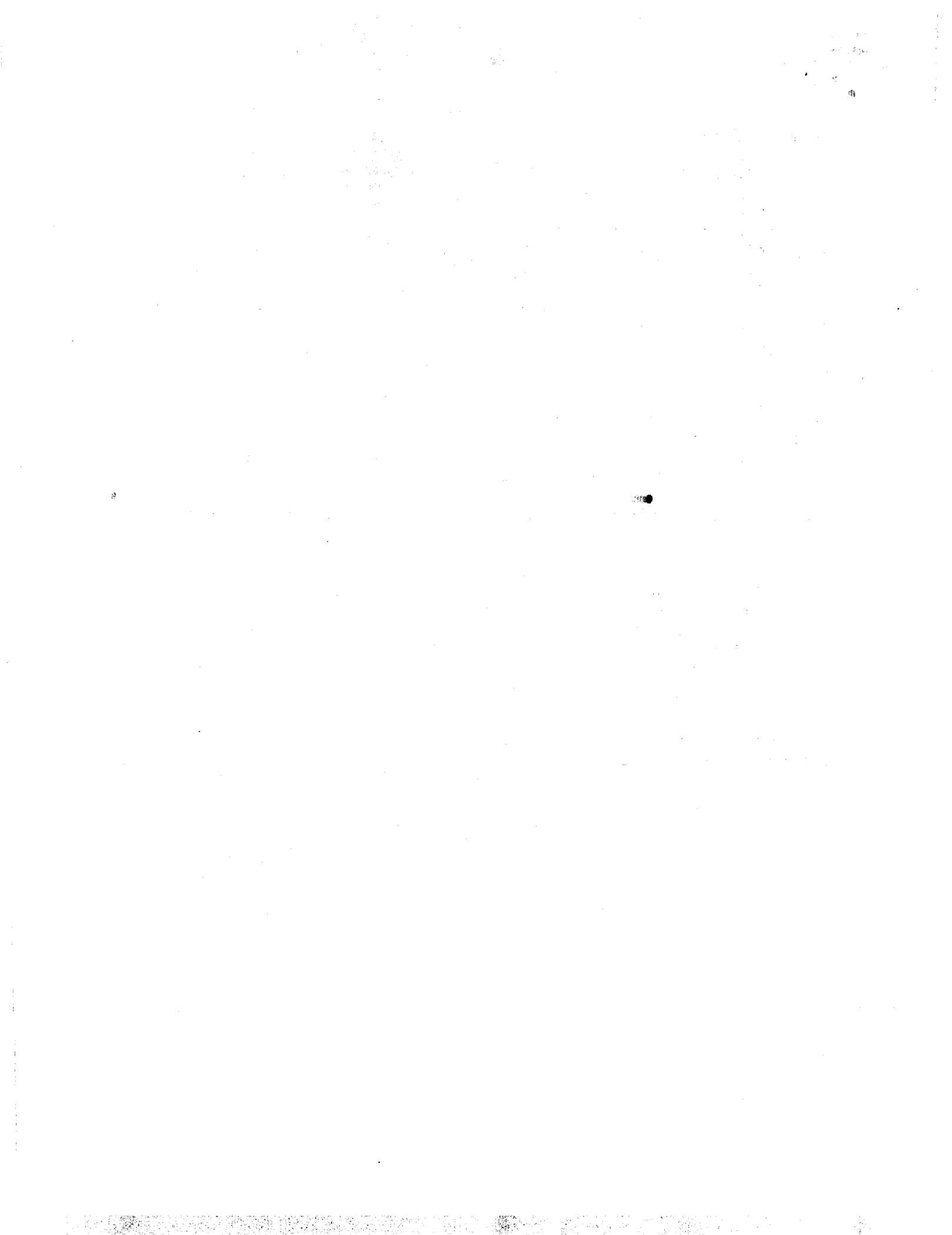
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We plan to distribute this report to the Secretary of Agriculture, the Administrator of the Agricultural Stabilization and Conservation Service, and to other parties.

Sincerely yours,



J. Dexter Peach
Director



C O N T E N T S

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ABBREVIATIONS

CCC	Commodity Credit Corporation
PIK	Payment-in-Kind
USDA	U.S. Department of Agriculture



INFORMATION ON USDA'S PIKCOMMODITY EXCHANGE CONTRACTSWHY COMMODITY EXCHANGES
WERE NECESSARY FOR PIK

The U.S. Department of Agriculture's (USDA) 1983 Payment-in-Kind (PIK) Program limited the production of five commodities--wheat, corn, grain sorghum, rice, and cotton--by reducing the number of acres planted in these crops. USDA compensated producers for their idled acres with certain amounts of the crops they would otherwise have harvested. The commodities used as compensation came from two sources: (1) producer-owned inventory under loan to USDA's Commodity Credit Corporation (CCC) and (2) inventory owned by CCC.

The PIK Program provided that wheat, corn, and grain sorghum would be made locally available to producers. This was an important consideration for these commodities because they are usually marketed locally. The program did not specify similar provisions for rice or cotton because these crops are not necessarily marketed where they are grown. Therefore, the PIK Program provided that rice and cotton producers receiving PIK payment from CCC inventory would take ownership of the commodities at storage locations, so exchanges of these commodities were not needed. Some of the wheat, corn, and grain sorghum owned by CCC, however, was not located near participating producers, which meant that USDA had to reposition it for use in making PIK payments.

The first step in the positioning process was to identify CCC inventories already in position, that is, located in the counties in which they were needed to satisfy PIK obligations. By comparing this information with USDA's PIK obligations, USDA's Kansas City Office identified counties containing CCC inventories greater than the amounts needed for PIK (surplus counties) or less than the amounts needed for PIK (deficit counties).

To provide commodities to the deficit counties, USDA devised a program to exchange CCC-owned commodities held at warehouses in surplus counties with privately owned commodities held at warehouses in or near deficit counties. According to USDA officials in charge of the exchange program, exchanging rather than physically transporting CCC-owned commodities to deficit counties enabled CCC to (1) avoid the costs and logistic problems of transporting the commodities and (2) position the commodities more quickly to meet PIK availability dates. To accomplish the exchanges, CCC issued a series of 10 public bid invitations between May and November 1983. In each invitation, USDA listed CCC inventories offered for exchange and the locations where it needed commodities for the PIK Program. Recognized members of the

grain industry were asked to submit bids indicating their choice of the CCC-owned inventories they would accept and, in exchange, the areas in which they would provide USDA with commodities for PIK.

USDA provided for two kinds of exchanges: physical and obligation. In physical exchanges, CCC assumed ownership of the contractor's commodity where it was located and the contractor assumed ownership of the CCC inventory wherever it was located. In obligation exchanges, contractors agreed to fulfill USDA's PIK obligations to participating producers and assumed ownership of the CCC inventory wherever it was located.

The total quantities of commodities received by CCC and the contractors were not equal; the difference represents the quantities paid to contractors to execute the contracts. According to USDA officials in charge of the exchange program, some of the factors used in determining these quantities included differences in the quality and location of the commodities. For example, a bidder might offer to meet USDA's PIK obligations of 50,000 bushels of wheat in a deficit county in exchange for ownership of 55,000 bushels of CCC wheat of the same quality located elsewhere. The difference of 5,000 bushels represents the cost to CCC for the exchange and would most likely include an amount to compensate for the difference in location.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to obtain information on the number of PIK commodity exchange contracts made with each contractor and the quantities of each commodity exchanged. We performed our review at USDA headquarters in Washington, D.C., and at its Kansas City Office. At the request of the Chairman's office, we did not obtain agency comments on a draft of this report. We did, however, discuss the contents of the report with USDA officials responsible for managing PIK commodity exchanges and incorporated their comments where appropriate. Our review was performed between April and October 1984 and was conducted in accordance with generally accepted government auditing standards.

For each of the exchange contracts awarded, we recorded the quantities of wheat, corn, and grain sorghum to be received by CCC and the contractor and the contractor's name and address. We then compiled this data in an automated data base for sorting and summarizing the data for each contractor and each commodity.

PIK COMMODITY EXCHANGE CONTRACTS

USDA awarded 1,259 exchange contracts to position wheat, corn, and grain sorghum for the 1983 PIK Program. Overall, USDA

contracted to exchange about 433.7 million bushels of CCC grain for 377.2 million bushels of contractor-provided grain. The difference--about 56.5 million bushels--originally cost CCC about \$170 million, based on average loan rates. However, these commodities were worth about \$191.6 million if valued at the average major market prices for wheat, corn, and grain sorghum between June and November 1983, the period in which the exchange contracts were awarded.¹ Table 1 below and the following sections provide more detailed information regarding the exchange contracts for each commodity, as well as the major contractors involved.

Table 1

Summary Information on Exchange Contracts

<u>Commodity</u>	<u>No. of contracts</u>	<u>Quantity received by contractors</u>	<u>Quantity provided by contractors</u>	<u>Difference</u>	<u>Average major market price</u>	<u>Total value of difference</u>
		----- (million bushels) -----			(bu)	(millions)
Wheat	461	82.4	77.2	5.2	\$4.10	\$ 21.3
Corn	669	323.8	275.1	48.7	\$3.33	162.2
Grain						
Sorghum	<u>129</u>	<u>27.5</u>	<u>24.9</u>	<u>2.6</u>	\$3.12	<u>8.1</u>
Total	<u>1,259</u>	<u>433.7</u>	<u>377.2</u>	<u>56.5</u>		<u>\$191.6</u>

Wheat

CCC awarded 461 wheat exchange contracts to 61 contractors. Five of the contractors received 287 of the contracts, representing about 75 percent of the CCC-owned wheat exchanged. Table 2 provides details of the wheat exchange contracts.

¹The average price of each commodity in major grain markets, such as Chicago and Kansas City on the first day of the month, June through November 1983. The average value of the commodities CCC exchanged may have been lower than the average major market price, since not all of the commodities were located in major markets.

Table 2
Details of Wheat Exchange Contracts

<u>Contractor^a</u>	<u>Number of contracts awarded</u>	<u>Quantity received by contractors</u>	<u>Quantity provided by contractors</u>	<u>Difference</u>	<u>Total value^b</u>
		----- (million bushels) -----			(millions)
Cargill, Inc.	99	24.3 (29) ^c	21.9	2.4	\$ 9.8
Continental Grain	45	14.2 (17)	13.4	0.8	3.3
Bunge Corp.	66	10.7 (13)	10.0	0.7	2.9
Far-Mar-Co	74	9.5 (12)	9.0	0.5	2.0
D.R. Curtis	3	3.1 (4)	3.4	(0.3)	(1.2)
All others (56)	<u>174</u>	<u>20.6 (25)</u>	<u>19.5</u>	<u>1.1</u>	<u>4.5</u>
Total	<u>461</u>	<u>82.4 (100)</u>	<u>77.2</u>	<u>5.2</u>	<u>\$21.3</u>

^aA complete listing of the contractors is contained in appendix II.

^bBased on average major market price of \$4.10 per bushel.

^cPercentage of total quantity received by all contractors.

Corn

CCC awarded 669 corn exchange contracts to 188 contractors. Six of the contractors received 252, or about one-third, of the contracts, representing about 57 percent of the CCC-owned corn exchanged. Table 3 provides details of the corn exchange contracts.

Table 3
Details of Corn Exchange Contracts

<u>Contractor^a</u>	<u>Number of contracts awarded</u>	<u>Quantity received by contractors</u>	<u>Quantity provided by contractors</u>	<u>Difference</u>	<u>Total value^b</u>
		----- (million bushels) -----			(millions)
Cargill, Inc.	141	83.3 (26) ^c	70.3	13.0	\$ 43.3
Continental Grain	26	33.7 (10)	28.4	5.3	17.6
North Bend Terminal	8	10.9 (3)	9.7	1.2	4.0
Pillsbury Co.	43	34.5 (11)	30.0	4.5	15.0
Bartlett & Co.	22	11.7 (4)	9.6	2.1	7.0
Debruce Grain, Inc.	12	8.8 (3)	7.8	1.0	3.3
All others (183)	<u>417</u>	<u>140.9 (43)</u>	<u>119.3</u>	<u>21.6</u>	<u>72.0</u>
Total	<u>669</u>	<u>323.8 (100)</u>	<u>275.1</u>	<u>48.7</u>	<u>\$162.2</u>

^aA complete listing of the contractors is contained in appendix II.

^bBased on average major market price of \$3.33 per bushel.

^cPercentage of total quantity received by all contractors.

Grain sorghum

CCC awarded 129 grain sorghum exchange contracts to 50 contractors. Five of the contractors received 63, or about one-half, of the contracts, representing about 59 percent of the CCC-owned grain sorghum exchanged. Table 4 provides details of the grain sorghum exchange contracts.

Table 4

Details of Grain Sorghum Exchange Contracts

<u>Contractor</u> ^a	<u>Number of contracts awarded</u>	<u>Quantity received by contractors</u>	<u>Quantity provided by contractors</u>	<u>Difference</u>	<u>Total value</u> ^b
		----- (million bushels) -----			(millions)
Cargill, Inc.	41	4.7 (17) ^c	4.1	0.6	\$1.9
Continental Grain	5	3.6 (13)	3.2	0.4	1.2
Debruce Grain, Inc.	7	3.3 (12)	2.9	0.4	1.2
Behimer & Kissner	4	2.4 (9)	2.1	0.3	1.0
Far-Mar-Co	6	2.2 (8)	2.0	0.2	0.6
All others (45)	<u>66</u>	<u>11.3 (41)</u>	<u>10.6</u>	<u>0.7</u>	<u>2.2</u>
Total	<u>129</u>	<u>27.5 (100)</u>	<u>24.9</u>	<u>2.6</u>	<u>\$8.1</u>

^aA complete listing of the contractors is contained in appendix II.

^bBased on average major market price of \$3.12 per bushel.

^cPercentage of total quantity received by all contractors.

CONTRACTORS THAT RECEIVED PIKCOMMODITY EXCHANGE CONTRACTS

<u>Contractor^a</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
Southwest Marketing Corp. Imperial, CA	-	4	-
Peavey Grain Co. Minneapolis, MN	5	8	-
Cargill Inc. Kansas City, MO	141	99	41
Continental Grain Company Kansas City, MO	- 26	45	5
Bunge Corporation New York, NY	8	66	3
Wisner Elevator Wisner, LA	-	1	-
Winnsboro Elevator Winnsboro, LA	-	1	-
Concordia Grain Company Vidalia, LA	-	1	1
Terral-Norris Seed Co., Inc. Lake Providence, LA	-	1	-
Great River Grain Company St. Joseph, LA	-	4	2
Lambert Bro. Export Inc. Pearsall, TX	-	1	-
Far-Mar-Co Kansas City, MO	17	74	6

^aThe contractors are listed in order of contract number. For contractors that received more than one contract, the address shown is the one that appears on the contract with the lowest contract number, or an identified office address.

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
General Mills Minneapolis, MN	10	20	-
Salyer Grain and Milling Corcoron, CA	-	1	-
Adams Grain Company Woodland, CA	-	1	-
Sierra Valley, Inc. Fresno, CA	-	1	-
Fred Webb Greenville Elevator Greenville, NC	2	6	3
Pryor Grain Company Ruffin, NC	1	2	-
Gro-More of Monroe, Inc. Monroe, NC	2	1	1
Bayou Macon Seed Co., Inc. Eudora, AR	-	1	-
Western Arkansas Export Elevator Guthrie, OK	-	1	-
Conagra Inc. Omaha, NE	1	11	-
Valley Seed Company Yuma, AZ	-	5	-
Farmers Grain Terminal, Inc. Greenville, MS	-	1	-
Brooks Grain Company, Inc. Simson, AL	1	1	-
R. O. Mayes & Son Petersburg, VA	-	1	1
Keystone Farm Service Roxboro, NC	1	1	-
Walters Grain and Supply Elevator Zuni, VA	-	1	-

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
J. R. Parker & Company Providence Forge, VA	-	23	-
North Bend Terminal North Bend, OH	8	4	-
River Grain Company Hickman, KY	1	1	1
Farmers Elevator, Inc. Owensboro, KY	2	1	1
Louis Dreyfus Corp. Overland Park, KS	-	1	-
Pillsbury Company St. Louis, MO	43	11	5
Farmers Export Elevator Webbers Falls, OK	-	2	-
Gabe Logston & Sons, Inc. Wayland, MO	1	1	-
Mendon Feed and Grain Mendon, MO	1	1	-
Scoulor Grain Company Kansas City, MO	-	1	-
Landmark Inc. Columbus, OH	5	12	-
Bartlett & Company Grain Kansas City, MO	22	1	7
Mueller Grain Company Salina, KS	-	1	-
McCormick Feed and Grain Inc. Knoxville, IA	-	1	-
Seneca Landmark Inc. Tiffen, OH	2	1	-
Seaman Grain Inc. Bowersville, OH	1	1	-

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
Huron Landmark Inc. Norwalk, OH	-	1	-
Central Soya Company Inc. Fort Wayne, IN	38	6	-
Demeter Inc. Fowler, IN	-	6	-
Baltic Mills Inc. Vincennes, IN	1	1	-
Graham Grain Company Terre Haute, IN	-	1	-
Lafayette Coop Elevator Co. Lafayette, IN	-	1	-
Emporia Grain Company Markleville, IN	1	1	-
Kokomo Grain Company, Inc. Kokomo, IN	2	1	-
Layne and Myers Grain Company New Market, IN	-	1	-
Debruce Grain Inc. Gladstone, MO	12	8	7
Skyhigh Grain Inc. Monte Vista, CO	-	1	-
United Grain Corp. Portland, OR	-	3	-
D. R. Curtis Company Burley, ID	2	3	-
Mart Grain Company Rupert, ID	-	1	-
Central States Enterprises Ft. Wayne, IN	3	-	-
Lee Feed and Fuel Inc. Lee, FL	1	-	-

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
Montana Merchandising, Inc. Great Falls, MT	-	1	-
Ovid Roller Mills, Inc. Ovid, MI	-	1	-
Grand River Grain Webberville, MI	-	1	-
Bell Land Company Pantego, NC	4	-	-
Wards Grain Service, Inc. Conway, NC	1	-	1
Producers Coop Feed Mill Monroe, NC	2	-	1
Wayne Grain Company Kinston, NC	1	-	-
FCX Inc. Raleigh, NC	19	-	-
General Utility Company, Inc. Dunn, NC	1	-	-
Maysville Milling Company, Inc. Maysville, NC	2	-	-
Carolina Dixie Grain Company Kinston, NC	1	-	-
Eastern Distrib. Greenville, SC	2	-	1
Logan County Farm Enterprises Guthrie, OK	1	-	1
Harper & Bowers, Inc. Estill, SC	1	-	-
T. J. Wiggins and Son, Inc. Eutawville, SC	1	-	-
Sumter Grain Company Sumter, SC	1	-	-

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
Mundy Inc. Waynesboro, GA	1	-	-
Dollar Farm Products Bainbridge, GA	1	-	-
Farmers Peanut Company Whigham, GA	1	-	-
Agricol Georgia Inc. Atlanta, GA	1	-	-
Luke Brothers Peanut & Grain Ocilla, GA	1	-	-
Peavy Farm Service Inc. Camilla, GA	1	-	-
Farmers Supply Service Hawkinsville, GA	1	-	-
W. N. Clark Company Inc. Leslie, GA	1	-	1
McCoy Farm Service Center Davisboro, GA	1	-	-
Country Skillet Poultry Company Decatur, AL	3	-	1
Tom Soya Grain Company West Point, MS	1	-	2
Madison County Cooperative Canton, MS	1	-	-
Mid-South Grain Company Jennings, LA	1	-	1
B & W Inc. Willcox, AZ	1	-	1
Anderson Peanuts Decatur, AL	1	-	-
Dyer Gin Company Elevator Dyer, TN	1	-	-

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
Kennessee Elevator Company Clarksville, TN	1	-	-
Tom W. Wade, Jr. Company Kenton, TN	2	-	-
Sullivan Grain of Tennessee, Inc. Trimble, TN	2	-	1
Money Brothers Grain Company Winchester, TN	1	-	-
M. M. Delop & Sons Flintville, TN	1	-	-
Owens & Stone Grain Company Eloro, TN	1	-	-
Conway Feed and Grain Company Conway, SC	-	-	1
Hamrick Bros. Inc. Boiling Springs, NC	-	-	1
Wilder Bros. Farm Supply Franklinton, NC	-	-	1
Dixie Liberty Plant Foods, Inc. Statesville, NC	-	-	1
Pender-New Hanover Grain Assn. Burgaw, NC	-	-	1
J. R. Jones Grain Red Springs, NC	-	-	1
B & D Grain Inc. Albemarle, NC	-	-	1
Curry Company Grain and Elevator Clovis, NM	-	-	1
Attebury Grain Inc. Amarillo, TX	-	-	1
Garnoc Grain Company Inc. Kansas City, MO	1	-	1

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
Success Gin and Elevator, Inc. Success, AR	-	-	1
Tenco Inc. Pocahontas, AR	-	-	2
Louisiana Delta Elevator Jonesville, LA	-	-	1
Harveys Peanut Company, Inc. Leary, GA	-	-	1
S. M. Whitney Company, Inc. Augusta, GA	-	-	1
H. B. Arnold Company Americus, GA	-	-	1
Townsend Grain and Feed Co. Townsend, DE	1	-	-
Hott's Feed Mill and Farms Inc. Franklin, WV	1	-	-
Collingwood Grain Inc. Hutchinson, KS	10	-	-
McCormick Grain Wichita, KS	5	-	2
Kan.-Ag. Grain Terminal Co., Inc. Parsons, KS	1	-	-
Mougonsville Elevator & Lumber Co. Mougonsville, MD	1	-	-
Southern States Coop Richmond, VA	5	-	-
Baynard Farms Inc. Centerville, MD	5	-	-
Snow Hill Grain Inc. Snow Hill, MD	1	-	-
E. H. Tindall Inc. Lawrenceville, NJ	1	-	-

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
Piwowar Farms Uniontown, PA	1	-	-
Tidewater Grain Co. Philadelphia, PA	1	-	-
Wilclan Farm Systems Inc. Carlton, PA	1	-	-
M. F. A. Exchange Columbia, MO	2	-	-
Hoffman & Reed, Inc. Trenton, MO	1	-	-
Moscow Feed & Grain, Inc. Moscow Mills, MO	1	-	-
Old Monroe Elevator & Supply Old Monroe, MO	1	-	-
Behimer & Kissner Mound City, IL	5	-	4
Prairie Milling Company Montgomery City, MO	1	-	-
International Multifoods Minneapolis, MN	2	-	-
Emma Coop Elevator Company Sweet Springs, MO	1	-	-
Cooperative Association #1 Miami, MO	2	-	-
Marquardt-Erker Grain Co. Fort Morgan, CO	1	-	-
Slabaugh Grain Inc. Harrisonburg, VA	1	-	-
Farmers Feed & Supply Danville, VA	1	-	-
Old Dominion Grain Corporation West Point, VA	1	-	-

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
Shenandoah Coop Woodstock, VA	2	-	-
Butler Grain and Feed Franklin, VA	1	-	-
Missouri Farmers Association, Inc. Columbia, MO	-	-	2
Hopkinsville Elevator Co., Inc. Hopkinsville, KY	1	-	1
South Dakota Wheat Growers Aberdeen, SD	5	-	2
Harvest States Coop St. Paul, MN	32	-	2
St. Lawrence Farmers Elevator St. Lawrence, SD	1	-	1
Jensen Grain Lane, SD	1	-	1
Farmers Elevator Company of Tripp Tripp, SD	1	-	1
Farmers Coop Elevator of Mitchell Letcher, SD	1	-	1
Green River Grain Company Liberty, KY	1	-	-
B. C. Christopher Grain Co. Kansas City, MO	1	-	-
Dunnington Milling Co. Inc. Monticello, KY	1	-	-
Wayne County Feed and Supply Inc. Monticello, KY	1	-	-
Growmark Inc. Bloomington, IL	2	-	-

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
Harrison Elevator Inc. Monroe City, IN	1	-	-
Dubois County Farm Bureau Coop Huntingburg, IN	2	-	-
The Andersons Maumee, OH	4	-	-
Falmouth Farm Supply Inc. Falmouth, IN	2	-	-
Conneoutville Farmers Exchange Conneoutville, PA	1	-	-
Coshocton Grain Company Coshocton, OH	1	-	-
Ohio Farmers Grain & Supply Assoc. Fostoria, OH	7	-	-
Bobb Bros. Inc. Leesburg, OH	1	-	-
Danville Feed and Supply Inc. Danville, OH	1	-	-
Hirschfeld Agri. Service Inc. De Groff, OH	1	-	-
Craig's Coal Yard and Elevator Inc. West Liberty, OH	1	-	-
Coldwater Grain Coldwater, OH	2	-	-
Deerfield Farms Service Inc. Deerfield, OH	1	-	-
Lin Moor Inc. Lindsey, OH	2	-	-
The Ohio Grain Company Mechanicsburg, OH	1	-	-

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
Sharrock Elevator Inc. Edison, OH	1	-	-
A. J. Decoster Geneva, NY	1	-	-
H. K. Webster Store Lawrence, ME	5	-	-
Agway Inc. Syracuse, NY	7	-	-
Cornette Farm Supply Greenleaf, WI	1	-	-
Mondove Coop Equity Assn. Mondove, WI	1	-	-
Zutter Elevator Chippewa Falls, WI	1	-	-
Cloverleaf Farm Supply Inc. Cadott, WI	1	-	-
Smith Feed Service Inc. Loyal, WI	1	-	-
Dorchester Coop Dorchester, WI	1	-	-
Harmony Coop Colby, WI	1	-	-
Neillsville Farmers Union Coop Neillsville, WI	1	-	-
Northside Elevator Inc. Loyal, WI	1	-	-
Didion Inc. Horicom, WI	1	-	-
Twin Elm Farm AKA Meyer Bros. Grain Elk Mound, WI	2	-	-

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
Woupun Feed and Seed Co., Inc. Woupun, WI	1	-	-
Ever Green Growers, Inc. Rosendale, WI	2	-	-
Northwest Supply Division of Dawn Products Inc. Fond Du Lac, WI	1	-	-
Hart Seed and Grain Alma Center, WI	1	-	-
Walsh Grain Farms Mauston, WI	1	-	-
Dummer Farm Service Holmen, WI	1	-	-
Z Farms Feed and Seed Wausau, WI	1	-	-
Stratford Farmers Coop Statford, WI	1	-	-
Little Suamico Dry Grain Inc. Little Suamico, WI	3	-	-
Center Valley Coop Black Creek, WI	1	-	-
Durand Coop Durand, WI	1	-	-
Cushing Coop Society Cushing, WI	1	-	-
Amery Equity Coop Amery, WI	1	-	-
Pavelski Enterprises Inc. Amherst Junction, WI	6	-	-

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
Clover Belt Lumber and Feed Co., Inc. Conrath, WI	1	-	-
Kodler Farm Service Stone Lake, WI	1	-	-
Dennis J. Eggen D/B/A Country Elevator Woodville, WI	1	-	-
Blue Ribbon Feed Co., Inc. New Richmond, WI	1	-	-
Baldwin Feed Service Inc. Balwin, WI	1	-	-
Medford Coop Inc. Medford, WI	1	-	-
Gilman Lumber & Feed Gilman, WI	1	-	-
Wood County Farm Supply Arpin, WI	1	-	-
Gerber Feed Mill Exeland, WI	1	-	-
Larsen Coop Company Larsen, WI	1	-	-
Peterson's North Branch Mill, Inc. North Branch, MN	1	-	-
Farmers Coop Elevator Association Garfield, MN	2	-	-
Voldco Inc. Henning, MN	1	-	-
Atwood Larson Minneapolis, MN	17	-	-
French Grain Company Isanti, MN	1	-	-

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
Creameries Blending Inc. Little Falls, MN	1	-	-
Kenyon Grain Burley, ID	1	-	-
White Lake Grain & Feed Whitelake, SD	1	-	-
Gregory Farmers Elevator Gregory, SD	1	-	-
Farmers Ranchers Coop Belle Fourche, SD	1	-	-
Lake Andes Farmers Coop Company Lake Andes, SD	1	-	-
Terminal Grain Corp. Sioux City, IA	4	-	-
Farmers Coop Association McLaughlin, SD	2	-	-
Farmers Coop Elevator Association Mitchell, SD	1	-	-
Corsica Coop Association Corsica, SD	2	-	-
Farmers Elevator Company Miranda, SD	1	-	-
Freeman Farmers Freeman, SD	1	-	-
Evans Grain Salina, KS	1	-	-
Farmers Union Coop Association Howard, SD	2	-	-
Benson Quinn Terminals Inc. Brandon, SD	2	-	-

<u>Contractor</u>	<u>Number of contracts</u>		
	<u>Corn</u>	<u>Wheat</u>	<u>Sorghum</u>
Potter County Grain Coop Gettysburg, SD	1	-	-
Lemmon Equity Exchange Lemmon, SD	1	-	-
Deaver-Meyer Grain Company Winner, SD	1	-	-
Selby Equity Exchange Shelby, SD	1	-	-
J. E. Meuret Grain Co., Inc. Brunswick, NB	2	-	-
Farmers Grain and Feed Scottsbluff, NB	1	-	-
Shelby County Grain & Elevator Shelbyville, KY	1	-	-
Coshocton Grain Company Coshocton, OH	<u>1</u>	<u>-</u>	<u>-</u>
Total	<u>669</u>	<u>461</u>	<u>129</u>

ANNOUNCEMENT KC-PIK-EX1
DATE ISSUED MAY 6, 1983United States
Department of
AgricultureAgricultural
Stabilization and
Conservation ServiceKansas City Commodity Office
Post Office Box 8510
Kansas City, Missouri 64114

TELEX No. 43-4126

TWX No. 910-771-0217

Telephone No. 816-926-6421

ANNOUNCEMENT FOR THE EXCHANGE OF GRAIN STOCKS
UNDER PAYMENT-IN-KIND PROGRAM
ANNOUNCEMENT NO. KC-PIK-EX1

I. GENERAL

Commodity Credit Corporation (CCC) will from time to time issue an Invitation under this Announcement requesting offers to exchange grain stocks in order for CCC to fulfill obligations under the Payment-In-Kind Program (PIK).

The Invitation will specify the closing time for receipt of offers, the specific state and county locations where CCC has unfilled obligations, the kind and quantity of grain(s) needed, and a specified time by which CCC will notify successful offerors.

A catalog offer form pertaining to a specific Invitation will list the various lots of CCC grain(s) being made available for bidding by quantity, kind, class, grade, protein (where applicable), warehouse name and location where stored and transit value, if any.

Parties eligible to offer are warehousemen having a Uniform Grain Storage Agreement (UGSA), or PIK Handler Agreement with CCC, or recognized members of the grain industry with either direct ownership of the warehouse in location(s) named in the offer or which have power-of-attorney to act on behalf of such warehousemen.

II. SUBMISSION OF OFFERS

A. Basis of Offer

An exchange of grain stocks to fulfill CCC's PIK obligations will be conducted in either of the following methods:

- (1) An exchange of warehouse receipts on the lot(s) of CCC grain made available in the applicable catalog for warehouse receipts issued on the warehouse location(s) contained in the offer. This will hereinafter be referred to as a physical exchange and the warehousemen at the location(s) contained in the offer are required to have a current UGSA with CCC.
- (2) An exchange of warehouse receipts on the lot(s) of CCC grain made available in the applicable catalog for the offerors assumption of CCC's obligation in the warehouse at



the location(s) contained in the offer to honor PIK entitlements issued under the PIK Program. This will hereinafter be referred to as an obligation exchange and the warehouse location(s) contained in the offer will have to have either a current UGSA or a PIK Handlers Agreement.

B. Content of Offer

Offeror shall specify in the offer (1) the name and address of the warehouse location(s) where the offeror is willing to fulfill CCC's obligation; (2) the quantity, kind, class, grade and protein (where applicable) the offeror is willing to exchange; (3) a bid in the form of an exchange ratio for each lot of grain the offeror selects from the applicable catalog; and (4) whether it is to be a physical exchange or an obligation exchange.

Offerors shall submit only one bid per lot.

C. How to Submit Offers

Offers and any modifications or withdrawals of offers shall be submitted by letter on the bid form supplied by CCC with an original and one copy or by telegram, telex or TWX using the same format as the offer form. On letter offers, place the notation "DO NOT OPEN UNTIL PRESCRIBED TIME PER ANNOUNCEMENT KC-PIK-EX-1, INVITATION NO. _____" in the lower left-hand corner of the envelope.

Offers, modifications or withdrawals of offers shall be submitted to the Kansas City Commodity Office, P.O. Box 8510, Wornall Station, Kansas City, Missouri 64114; Telex Number 43-4126; TWX Number 910-771-0217.

Offers and any modifications or withdrawals of offers must be received by the date and local time specified in the Invitation. In the event such date falls on a nonworkday for USDA employees in the Kansas City Commodity Office, offers are to be received on the next succeeding workday. Whether an offer, modification, or withdrawal is received within the time limitation will be determined by the time stamp of the Kansas City Commodity Office wireroom, or in the case of letters, the time stamp of the Kansas City Commodity Office mailroom.

III. ACCEPTANCE OF OFFERS

Acceptance of offers by CCC will be made by telephone no later than the time specified in the applicable Invitation to be followed by confirmation made by telegram, telex, TWX or mailgram. CCC reserves the right to reject any and all offers. CCC also reserves the right to award a contract to an offeror by selecting the total quantity from any of the lots for which the offeror submitted a bid or from a combination of such lots, or parts thereof.

IV. PROVISIONS OF THE CONTRACT

The contract shall consist of (1) contractor's offer, (2) CCC's acceptance, (3) this Announcement, (4) the applicable Invitation, and (5) the applicable catalog.

V. GRAIN SUPPLIED BY CCC

- A. Delivery of the grain by CCC shall be instore at the locations specified in the contract with loadout charges paid by CCC to the storing warehouseman at UGSA rates.
- B. The quantity and quality (including protein where applicable) shall be established by the warehouse receipts or the blends thereof, surrendered by CCC.
- C. Any differences with respect to the quantity and quality (including protein where applicable) surrendered by CCC and that actually delivered to the contractor by the storing warehouse shall be settled between the contractor and the storing warehouseman.
- D. Storage for the account of CCC shall be through the date of transfer of title. The contractor shall be responsible for storage charges thereafter.

VI. DELIVERY PERIOD AND TRANSFER OF TITLE OF CCC GRAIN

- A. For a physical exchange, CCC shall advise the contractor by telephone of the availability of receipts covering the lot(s) of CCC grain specified in the contract.

Contractor shall furnish to CCC at the Kansas City Commodity Office within five (5) business days following the telephone notification, warehouse receipts for the quantity and quality and at the location called for in the contract.

Transfer of title and risk of loss shall pass to contractor upon simultaneous exchange of warehouse receipts between CCC and the contractor at the ratio contained in the contract for each lot.

- B. For an obligation exchange, CCC grain shall be delivered in increments during the five (5) month availability period for the state and county of the warehouse location(s) contained in the contract.

On the first day of the availability period (the first day a farmer can redeem his PIK entitlement) CCC shall transfer title to the contractor a portion of the total exchange not to exceed the larger of 10,000 bu. or 20%.

Delivery by CCC of subsequent increments will require the contractor to submit an invoice on the basis of the exchange ratio contained in the contract accompanied by entitlements of the quantity shown on previous increment(s) that have been executed either by purchase or by delivery of the grain.

All PIK entitlements must be submitted within fifteen (15) calendar days after the last day of the applicable availability period to allow the final transfer of title and completion of the exchange.

The quantity of the exchange is subject to adjustment by CCC of up to 25% more or 25% less than the contract quantity provided such adjustment is made prior to the first day of availability.

VII. TRANSIT

The transit privileges applicable to the grain offered by CCC will be identified by CCC. Contractor shall have the benefit of such transit privileges. All transportation costs after transfer of title are the liability of the contractor.

VIII. ADJUSTMENT OF CONTRACT QUANTITY FOR OBLIGATION EXCHANGE

The life of an obligation exchange contract shall end fifteen (15) calendar days following the last day of the applicable availability period.

If the full quantity of the exchange is not executed, the contractor must return to CCC any remaining balance of grain advanced by CCC in accordance with Section VI (B) of this Announcement.

Contractor may return the grain in the form of warehouse receipt(s) for the kind and quality (including protein where applicable) of grain called for in the contract issued at the warehouse where delivery was made by CCC or at the contractor's warehouse and at the exchange ratio called for in the contract if the contractor's warehouse has a current UGSA with CCC.

IX. DEFAULT AND TERMINATION

If for any reason the contractor does not perform all or any portion of the contract, CCC shall have the right to terminate the whole or any part of the contract. In the event CCC terminates the contract in whole or in part, CCC may procure services similar to those terminated and contractor shall be liable to CCC for any excess costs as determined by CCC, Provided, contractor shall continue the performance of the contract to the extent not terminated.



Norman D. Houser,
Acting Director



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